

ID: CCA-820914-08

Number: **200848070**

Office:

Release Date: 11/28/2008

UILC: 6229.02-00

From:

Sent: Wed 8/20/2008 9:14 AM

To:

Cc:

Subject: RE: Partnership redemption transaction variation

We could forgo doing a TEFRA audit and just issue an affected item notice of deficiency stating that the S corp is taxable as a C corp on the sale of their partnership interest. We would need to protect the statute at the S corp/C -corp level, however, using a Form 872-i that specially references tax attributable to partnership items under Ginsburg v. Commissioner. We would be bound by all of the partnership items as reported in computing the C corp's basis and gain.

I agree that we could adjust the partnerships' stepped up basis when they sell the real estate in a later year.